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Municipal and Real Estate Finance in Canada

By THOMAS ADAMS

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MUNICIPAL AND REAL ESTATE FINANCE IN CANADA

The need of Town Planning to arrest growing financial difficulties in cities and towns

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BY

THOMAS ADAMS

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THOMAS MULVEY
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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FOREWORD

The following paper appeared in an abbreviated form in the *Financial Post*, Toronto, and is now printed, by special request, in pamphlet form.

In a letter received from one reader, the paper is described as a clear and convincing statement regarding housing, land speculation and high taxation resulting from municipal waste and mismanagement. It should be pointed out, however, that such a brief statement, dealing with the extensive and difficult problem of municipal finance can deal only with some general aspects and broad facts.

No work of the Commission of Conservation is of more importance than that which has to do with the conservation of the human and financial resources of our cities and towns. Until we employ saner methods in developing our community life, many of the efforts we are making to conserve our natural resources must be nullified as a result of the careless way in which the wealth derived from these resources is dissipated by bad forms of land development.

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Municipal and Real Estate Finance in Canada

THE NEED OF TOWN PLANNING

Failure to Protect Industry and Homes

THE methods that have been followed in Canadian cities and towns in developing real estate and financing local improvements cannot be claimed to be either sound in principle or successful in promoting stable financial conditions in practice.

In this new country, with all its natural resources, its freedom from feudal ownership of land, and its advantage of knowledge of the causes of bad conditions in older countries, it should have been possible to develop cities and towns on more scientific and more stable foundations than has been the case. Our cities and towns started with an advantage not possessed by the urban communities of England, an advantage not altogether lost to us even with all our shortcomings. The land on which they were built was free to be purchased and owned by the users, and there was every incentive to the acquisition of property by the humblest citizen.

"A person," says Adam Smith "who can acquire no property can have no other interest but to eat as much and to labour as little as possible." "The possession and enjoyment of property," says Edward Gibbon, "are the pledges which bind a civilized people to an improved country." That possession and enjoyment have helped to build up Canada in the past; to-day it is being seriously impaired by bad development of land and municipal waste. The tenancy system of England and New York is destructive of morale and stable citizenship. The home owning facilities we have possessed in the early stages of urban development in Canada, and the home-loving instincts which they produce, are amongst the strongest elements of our national strength. We have not failed to provide these facilities. Our failure has been that we have encouraged them too much in the interests of speculation, instead of in the interests of the home-owner and the community as a whole; that we have not employed sound methods in protecting the property rights of the users by planning the land and controlling its development; and that we have mismanaged our cities and made productive industry and the home pay the bulk of the cost of mismanagement.

Elements of Success in City Development

The success of a city or town depends on its manufactures and trade, and the average factors that contribute most to that success are the health and contentment of the citizens, the transportation and other facilities for transit of passengers and distribution of goods, the supply of power, and the absence of excessive burdens of taxation. All these things are dependent, in turn, on the proper development of the land and the absence of exploitation for purely speculative purposes of those who use it. The health and contentment of the individual are not so much determined by the amount of wages he receives

as by the amount of goods he can purchase with his wages. In a community where proper living standards exist he will have to pay from one-fourth to one-fifth of his income for shelter. If for that payment he can get a good home, with a pleasant environment, proper sanitary conditions and convenient means of transit, he will, or should, be satisfied. But in the average large city he cannot get such a home at a reasonable figure. If he lives in a central district he has to be content, invariably, with a crowded or insanitary dwelling. If in a suburban area, where a good house is available at a reasonable price or rent, he will probably have to put up with bad sanitary conditions and lack of facilities for travel. Urban land is not planned and sub-divided to aid the worker to get a convenient and healthy home, nor to enable the city to obtain an economic system of development, but primarily to yield profit to the sub-divider, without regard to other results, either to the purchaser or to the city.

Where Responsibility Rests

The responsibility for the wasteful and uneconomic system which has been followed must rest with those who have the power to end or vary the system in so far as it is defective. That power does not rest with the private builder or real estate operator any more than with the home-owner or tenant. Each of these parties is a victim of the system, even if utilizing it for private ends. The only power that can operate to improve housing, transportation, industrial development and other things that constitute the problems of the modern city, is vested in the government of the city. Therefore, it is the city council, subject to the terms of the Municipal Act of the province, that has the responsibility for existing conditions, or for their improvement. For instance, if land is sub-divided 20 or 50 years before it is wanted for building, with consequent waste of capital in development, lessening of agricultural production near the city, etc., the discredit for that must rest with the council that could impose conditions to prevent excessive sub-divisions. If, in the city, there are thousands of vacant lots in the suburbs, with miles of pavements, sewers and water mains, producing no revenue to any one, then the city that has no plan to secure closer development and prevent wasteful scattering of buildings is to blame.

Transportation, which affects both the facilities needed to develop industries and those needed to convey workers to and from their places of employment, can be conveniently arranged in the well-planned city, where wide streets are provided and height of buildings is controlled so as to avoid congestion. Enormous expense has been incurred in getting rid of evils that should never have been allowed to develop. These are chiefly caused by haphazard building and bad sub-division of land, coupled with the lack of planning the street railway system on any definite principle as a community service.

The cost of land for industrial or residential purposes is often excessive, and this high cost is aggravated by the system of assessment of land for which the city is responsible. Land values are excessive when they do not permit of stable conditions of investment in the land and the improvements placed upon it. A bad feature is that land is not planned so as to give adequate facilities for industries. Valuable land, suitable for industrial location, is occupied by buildings that have no need for frontage on railways, canals and main highways. Those who wish to establish industries in the city or suburbs have often to purchase land that has been sub-divided in small lots and sold to numerous purchasers, some of them perhaps in remote parts of the world. The person proposing to start an industry has to be put to great inconvenience in acquiring such lots, and this may cause him to give up the idea of coming near or into the city. In some cases, he may have to scrap valuable pavements and other public services which are constructed to suit a kind of development entirely different from that which the industry requires.

Town planning can accomplish much in the way of improving the older parts of existing cities, by the regulation of building heights, densities and character of use of land and buildings. Perhaps the bigger problem however, and certainly in many respects the more urgent one, is the planning of areas, in course of development or undeveloped, in the suburbs around the city. Among the fallacies that sometimes are regarded as truisms by business men, and that have prevented them from condemning the existing conditions—notwithstanding that they recognize the evil results which accrue from these conditions—is the theory that land speculation is harmless in any of the forms now practised and that high buildings are an indication of enterprise rightly directed.

Land Speculation and Housing

Many people who are interested in property do not seem to realize the damage caused by injurious forms of speculation in land and in building construction. One fallacy is that complete liberty to the individual to use his land as he likes is good for business, as well as a sound democratic principle. As a matter of truth it is neither, especially in the case of land situate in a city where the interests of one person are so much interwoven with the interests of others. Whatever restraint there is on liberty it should be the minimum necessary to prevent the injury of one person by another, but freedom to use property as one wills is a form of anarchy and not of democracy. With regard to the effect of this freedom on property values, probably tens of millions of dollars are wasted in Canada every year or two as a result of the injury caused to buildings by the unnecessary destruction of the agreeable character of their surroundings. The writer recently viewed a house of an alleged value of $30,000, built not very many years ago, which is abutted on two sides by the warehouse-like walls of two apartment houses. The only light left for that house is on street frontages on the north and east sides, and it is dwarfed and injured in many ways because of the proximity of inappropriate buildings. Thus the light and air left for that house are provided at the cost of the city in expensively paved streets, while that which could have been obtained at no cost by regulation of the building development has been destroyed. This is not a condemnation of the apartment house, but of the placing of apartment houses in the wrong positions, and of the destruction which results from erecting them in a street occupied by private residences. The house spoken of will probably be reduced in value twenty-five per cent or more as a result of the action of adjoining owners, whereas, with properly protected surroundings, it might have been made to appreciate twenty-five per cent with the growth of the city.

Stability of Investment in Property

In the improvement of land sub-division and the control of building development by town planning, we have to seek the necessary means to secure stability of investment in property. Many cases could be mentioned where the value of residences is seriously reduced as a result of buildings with a high fire hazard being erected in their proximity, the owners thereby being called upon to pay increased insurance premiums. Then there are the common cases, where residential streets are lowered in value as the result of the erection of stores in the wrong place. Properties affected in value in this way represent a loss to the owners, frequently to the mortgagors and also to the city.

A statement frequently made is that land reform is the root of housing reform. This is true, but in a wider sense than most people seem to understand. It is not the monopoly in land nor the price of land that makes the land question most important in connection with housing. The relative cost of the site to the

cost of building is not, on the average, a serious factor. It is the indirect results that follow a system of land speculation and scattered sub-division of land that create the real problem. In other words, it is the want of a town planning scheme, with regulations to control land sub-division and building development, so as to secure the greatest economy and convenience that makes the land a question of fundamental importance in connection with housing.

Profits for Real Estate Operators

The operations of one of the large real estate firms in Toronto, who dealt in suburban property, show that this aspect of the system does not really yield large profits to the real estate interests. Some of the mortgage companies have taken over property which was acquired some years ago, and in one case quoted by *Saturday Night*, of Toronto, the arrears of interest alone, standing against the mortgage on a farm, amounts to as much as the capital stock put in by the purchasers. The Lawrence Park Estates, Limited, was bought for $500,000; $100,000 of stock was sold to acquire it, and $400,000 assumed as mortgage. The arrears now amount to $100,000 or equivalent, as stated, to the capital invested by the purchasing company. It is not too much to say that Toronto has enough untouched land for the erection of houses without using the land in question, and *Saturday Night* says there is very little chance of the shareholders recovering their money. One might add that it is even doubtful if the mortgagors will recover theirs. It may be argued that this is the kind of thing that must happen in a state of freedom of carrying on business operations, also, that this freedom is essential under the present system of society. This might be so if the dealings were with almost anything other than land. In the case of land, the city, by its huge expenditures, provides the services necessary to give the main part of the value to the land, and it should be protected from "wild-cat" schemes that involve increased civic liability and are at the same time unprofitable to the promoters. The trouble, in such cases, is therefore not that people are making a great deal of money out of the land speculation but that they are not making money and are doing serious public injury.

High Buildings Financially Unsound

Another fallacy is that high buildings need to be permitted because they pay or because they facilitate business. They do not pay, upon the whole, and, beyond a certain point, they destroy the facilities for business. As a city grows in population the need for street transportation increases more rapidly than the growth of population. It is computed that a city of 600,000 inhabitants needs twice the carrying facilities of a city of 400,000. If you congest cities in the centre you destroy the means of rapid horizontal transportation. It is not the distance that a man lives from his place of employment that matters, so much as the time that it takes him to get to and from it. The time spent by people getting from the congested central areas of cities like Toronto is many times greater than would be necessary to cover double the distance under a rapid means of communication. When the writer lived in London, England, it took as long, under more fatiguing circumstances, to get to and from the centre of the city from the suburbs seven miles out as it did to travel 33 miles from a town in Hertfordshire to and from London. Concentration of population and business, when it reaches the stage of congestion—that is, when it prevents the free movement of traffic,—impairs rather than improves the facilities for carrying on business.

In regard to financial results, the high building does not pay directly, in the long run, and it is a serious loss to the community by reason of the congestion

it produces. In time it becomes necessary for the city to provide underground means of transportation and other services at enormous expenditure. At a meeting of the National Association of Building Owners and Managers—surely a very practical body—Mr. Edwin S. Jewell, of Omaha, who is manager of the City National Bank Building of that city, declared that buildings under ten storeys were more profitable than higher buildings, because of the saving that would be made on the tremendous cost of foundation and elevator equipment. He pointed out that, among other things, a six- or eight-storey building was more marketable than a higher building when the character of a district changed; that the money put into costly foundations and sub-basements of high buildings, elevators, etc., would be sufficient to erect a complete four- to six-storey building on the same piece of ground, thus putting capital to a more useful purpose. By spreading the business district over a wider area it would lessen congestion and carry business nearer to residents. On the question of cost, Mr. Jewell asserted that a low building can be built for 14 cents per cubic foot cheaper than a tall building. In a study of revenues from a large number of high office buildings in more than 50 cities, he found that the receipts and expenditures from 143 buildings, in 1919, showed an average income of about $1.41 per square foot, whereas it would require $2.64 per square foot to make the investment realize six per cent. Thus the case against high buildings is not on aesthetic grounds but on the grounds that they do not yield adequate profits to the owners and that they produce serious financial losses to the cities in which they are erected.

Assessment and Taxation

The extent to which the finance of the city and its problems of land development or town planning overlap is not usually appreciated. Indeed, the average man thinks of town planning in terms of increasing expenditures on fanciful improvements instead of in terms of regulation of the growth of the city in the interests of economy. Toronto is not the most appreciative city in respect of town planning—and never has had any town planning policy in the proper sense. Yet the most urgent financial problems of Toronto are due to want of town planning. According to official pronouncements, one-quarter of the entire debt of the city has been caused by carrying out local improvement works, which constitute the city's share in developing land it has failed to plan on economical lines. Industries are moving out of Toronto for want of room for expansion, and the city is powerless to annex the new urban areas being created round its fringes because neglect of planning these areas has resulted in unsound forms of development. If these areas were economically planned and built it would be profitable for Toronto to annex them. The contrary is the case. In the Toronto *Evening Telegram* for November 18, 1920, one of long experience in civic administration is quoted as saying that, if it was not for past annexations, Toronto would be in the most unique financial position of any city on the continent. It is stated that, when North Toronto was annexed, R. C. Harris, Works Commissioner, estimated that it would take $5,000,000 to provide a sewerage system. Some 5,000 people had been allowed to locate in the district without any proper scheme of development including sewerage facilities, and had been allowed to spread themselves over the land on the average density of two to the acre without regard to questions of drainage or other local improvements. Hence the prohibitive cost of providing these improvements. What is bad for these outside districts is bad for Toronto. To refuse to annex them solves no problem and merely postpones the evil day for Toronto tax-payers. Meanwhile some central parts of Toronto are almost stationary in growth, and rapid development is taking place on the same haphazard lines that have led to the present impasse in the outer suburbs.

The planning of the outside municipalities is a provincial responsibility, and Toronto is powerless to deal with this situation till it gets adequate town planning powers. In this connection regional planning is needed as much as town planning.

Another form of injury to the big city is the tendency of smaller municipalities to bonus industries. This is an immoral proceeding which should be stopped by provincial law. A gift is made to a particular industry at the expense of the other industries and the homes; this is neither good finance nor elementary justice.

Methods of assessing land should have regard to benefits received by the owners of land and to ability to pay out of the revenues derived from the proper use of land. Abuse of the land by congestion of buildings, or non-use by monopolists, should be prevented. The present assessment methods encourage rather than retard land speculation. The speculator usually does not own the land long enough to find himself liable for taxes. He passes on the liability to the purchaser for use when he can. Many never have more than a nominal equity in the land. Referring to this matter, Mr. F. W. G. Fitzgerald, Managing Director of the Canadian Mortgage Investment Company, says: "The principal activity of lawyers in the western provinces, during the past six years, I imagine to have been the ascertaining who the ultimately responsible owners of properties actually were and are, out of the vast web of purchasers, transferees, mortgagors and debtors of every size and kind who, in the western country, appear to have fed on one another for a few excited years." At the same time, the properties whose values have been eaten up in these legal tangles and in taxes are being taken over by the cities by tax sale. These lands have no value in the form of liquid assets to help the cities to meet their bills and their financial difficulties are increasing. The burden of all this sad failure in government will gradually revert to the owner of revenue-producing property, that is, to the industries and homes of the people.

It will be no solution of the problem of excessive taxation of real property, where it exists, to transfer the burden to income and personal property. There may be cases where equity demands that this should be done, but the solution is to be found by planning the city so that scattered and wasteful development will be avoided, and the cost of government thereby reduced.

Industry and home-owning may be exploited by the system of assessment and taxation as well as by the land speculation. Mr. Fitzgerald, in a letter to the writer, quotes an instance which illustrates this point:—

> I could recite case after case where, to my knowledge, the savings of people were swept away through their inability to obtain sufficient revenues from their properties to pay the constantly mounting levies for taxes. It would be idle to do so, but by way of illustration I may mention that I had to deal with one case a few years ago where we had advanced $1,500 or $1,800 by way of loan in a western city on an attractive small dwelling. The land had been valued originally at about $1,000. I remembered the making of the loan, and that, at the time, we considered we were making a fairly liberal advance.
>
> When the case next came under my notice the owner, whom I knew as an excellent and reliable man, was in difficulty. His assessment on this modest property had been raised from about $3,000 to $30,000. He had in the meantime been moved to another centre by the institution by which he was employed. The rental value of the property at the time was about $30 monthly. His property had in the interval been fastened upon by the city for assessment purposes as "a semi-business property," and he was taxed accordingly.
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> The town then as now was heavily in debt, with a variety of municipal "assets," including tram lines, of an unremunerative kind. The "semi-

business" classification resorted to in this case for assessment purposes was a pretext for the raising of needed money by the municipal officials. The property was, in fact, then as now, a dwelling house property. Some business places had approached within a block or two of it—but some of these had been abandoned while half completed, others were vacant, and all were plainly speculative miscarriages.

That, I have always considered an instance of predatory and confiscatory taxation. It is perhaps an extreme case, but I could recite many instances where, in the case of house-owners, assessment values were fixed upon largely in excess of anything justified by the rental value of the dwellings.

It will be noted in the special case referred to by Mr. Fitzgerald how the inequality of the assessment was based on giving a semi-business classification to a building that was being used as a residence. This indicates where the question of assessment overlaps with the question of classifying the land for different purposes as part of a town planning scheme. A definite part of a city plan deals with this problem and the classification thus provided, under which a city is zoned into industrial, business and residential sections, is a necessary basis for a sound system of assessment in a city.

Tax Arrears

The growth of arrears of taxes has become a serious matter in western cities. They began to accumulate concurrently with the rapid rise in land values. This rapid rise was due to speculation to a greater extent than to any stable condition, like increase of population. In one city the arrears grew from $1,000,000 in 1913 to $6,750,000 in 1918. In another city the arrears in 1918 were $5,500,000. In most cities assessed land values have grown in excess of improvement values, although it is the latter that gives to the land its revenue-producing capacity.

Mr. A. G. Dalzell, A.M.E.I.C., formerly Assistant City Engineer of Vancouver, in a report on the disposal of property by tax sale, draws attention to facts that are not realized by the average citizen. The municipality which takes over and sells land for taxes may be assuming a responsibility for spending far more money in local improvements required to develop the land than it gets for the land. As Mr. Dalzell says:—

> It is doubtful whether the consequences are realized which are likely to result from municipal authorities selling land at much below its assessed value. The purchaser is very apt to assume that the municipality, having sold the land, will facilitate the development of the district to make the land worth owning, considered, of course, as ordinary building land, and not acreage which may be cultivated or otherwise utilized . . . . . When he finds the municipal authorities hard to move, and all the pressure he can bring to bear at council meetings and at elections is unavailing, he in turn will refuse to pay taxes when no benefits are received, the municipality will again own the land, and acquire with it an aggrieved citizen.
>
> If, however, the municipal authorities aim in both cases to satisfy the purchasers, it is quite probable that expenditures will be incurred for which there will be no adequate return in revenue, with the result that a heavier burden will be placed upon all property owners, which in itself tends to prevent the payment of taxes, and consequently more and more land is likely to be relinquished, as time goes on.
>
> The purchase of cheap land at tax sales will have a tendency to promote scattered settlement, which is one of the greatest dangers confronting western cities, and can only result in either a very imperfect and unsatisfactory city development or taxation which will be both a burden to the individual and a handicap to industrial progress.

Mr. Dalzell draws attention to the case of one municipality in the west which has recently disposed of thousands of lots by tax sale. The area of the municipality is situated on two drainage slopes.

> On the northern slope a long and expensive trunk sewer has been built, but the municipality cannot afford to construct the lateral sewers to connect with the trunk sewer, even though it has hundreds of feet of pipe in stock. At the same time, by selling lots at tax sales, and in other ways, the municipality is encouraging settlement on the southern slope, and the residents are already clamouring for a second trunk sewer, which if granted will mean the possession of trunk sewers costing nearly half a million dollars, and about as useful as a railroad without rolling stock.*

In the case of Victoria and other cities, one of the causes of the present financial trouble is the construction of local improvements by the cities in excess of what can be paid for by the owners of the land thereby improved. This is an example of the direct results of the want of planning, for, under a town planning scheme, construction of improvements would be limited to meet the actual needs of development.

What is happening is that the causes of the trouble are being ignored and, therefore, no attempt is being made to prevent similar causes from operating in the future. Provincial governments, municipalities, railway corporations and individuals have all taken part in the methods which have produced the present chaotic conditions. Some have gained—most have lost—but many of those who have lost are still holding fast to the hope that they will be able to transfer their burden to others.

A few assume that the evils of land speculation form part of the price of freedom, that they are necessary, and that attempts to apply business principles and town planning to land development is attempting to interfere with natural law. Whether, however, the indifference to causes arises from this kind of ignorant assumption, or from self-interest, it is certain that so long as the results of past speculation are allowed to remain, and no effort is made to prevent speculation and bad development in future, there will be no improvement in conditions. Things must become worse, until people are brought to their senses by serious depression, unless a bold attitude is taken at once to take stock of the situation, put land development on the same basis as business enterprise, and carefully plan for the future. The losses that have accrued from past mistakes must be faced some time, and the sooner they are faced the better, if progress is to be made.

Mr. Dalzell, in a paper giving the results of a survey of conditions of development in Vancouver, gives an illuminating instance of bad and costly development initiated under government auspices. He made an examination of the economic conditions in two parts of the city, both lying within the same radial zone. One of these parts consisted of Ward 8, occupied by the artisan class; the other was Shaughnessy Heights, an area occupied by expensive dwellings. It might be assumed that the expenditure in developing the land for high class residents would be much greater than that required for developing an area for small homes. Mr. Dalzell shows that the contrary is the case, and that the reason for this is due to the fact that the owners of the Shaughnessy Heights estate planned it in advance of development, in accordance with the topography and with due regard to the purposes for which the land was best adapted. Ward 8 was sub-divided by the Provincial Government in 1885, so that the Government was responsible for iniating the scheme, both as owners of the land, and as the governing authority of the province. The land was sub-divided so much earlier than necessary that little development took place for nearly 25 years. The area was originally a lake, and 80 acres, or one-fifth of the whole, consists of peat

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* "The Disposal of Property by Tax Sale," by Mr. A. G. Dalzell, A.M.E.I.C., in *British Columbia Financial Times*, October, 1920.

bog of an average depth of 30 feet. To make this land suitable for development, piles had to be driven at considerable expense, even the pipe sewers requiring a pile foundation. There are tens of thousands of acres of land suitable for building within easy reach of Vancouver, and yet it was found necessary to use this peat bog for building, which involved the expenditure of $6,000 for piling for sewer construction alone. Even with this piling done, however, the ground is so unstable that a heavy maintenance expenditure is essential. In one street the main branch sewer settled two and one-half feet during construction. It was backfilled to grade but had again settled over two feet when Mr. Dalzell made his report. When this is the case with sewers, it can be imagined how buildings are likely to settle, with consequent deterioration of property. In countries like England, areas of this kind are not permitted to be built upon, although land is much less plentiful. The development of such land is due to lack of care, or to ignorance, regarding the relative value of bare land and of improved land. It would have paid the province and the municipality better if they left it as an open space, because the cost of development has made it a liability instead of a gain to use it for building purposes.

After 1907 the area developed rapidly and, when taken over by the city in 1911, there were 901 improved lots, 856 houses, a few other buildings and a population of 3,300. This area, with a population of a small town, has been developed by the Provincial Government without any provision for water supply, sewers or sanitary accommodation. At the end of 1917 the population had increased to 4,400. A water supply was provided and a sewerage system gradually installed. The capital expenditure in the six years amounted to nearly $1,250,000. This represented $275 per capita, $989 for every improved lot and $511 for every lot. It also represented 52 per cent of the land valuation, notwithstanding that it was only partially developed, as most of the roads were only planked and there are no cement sidewalks. Mr. Dalzell gives a conservative estimate of completing the improvements as $603,000 in 1917. Thus, the conclusion is arrived at that a fifty-foot lot in this ward, with street improvements added, and calculating the land at its assessed value, would represent a capital cost of $2,080 for a good site for one home, or for two small sites with twenty-five foot frontage, in a district used for artisans' dwellings.

In a report of one housing scheme, in England, which is dealt with in the *Journal of the Municipal and County Engineers* of July 17, 1920, the cost of the site of a workingman's home, in 1913, is given as $90; the cost of streets and water supply as $120, making a total of $210, or one-tenth the cost in Ward 8 in Vancouver. In 1920 the cost of site and streets is given as about the same although the cost of building has increased five or six times.

When we consider the above figures given as the cost of developing a site in Vancouver we must realize either that an artisan could not afford to erect a sanitary home if he had to pay over $2,000 for an improved site, or, alternatively, that from one-half to three-quarters of the burden of the cost of such a site would have to be borne by the city. Both things happen. A man acquires an expensive site and has insufficient money to build more than a shack upon it, while cities are finding themselves in increasing financial difficulties because of this wasteful system of development. In Shaughnessy Heights, with a larger building area, there are only 115·2 acres in streets, as against 138·6 acres in streets in Ward 8, and although the total area is 14 acres smaller in Shaughnessy Heights, the building area is 16 acres greater. The total cost of developing Shaughnessy Heights was $841,000, and it is practically complete. The complete figures for developing the two areas were, according to Mr. Dalzell, $1,816,990 for Ward 8 as against $885,000 for Shaughnessy Heights with its extra building land and its higher class and, therefore, more profitable form of development. In the larger eastern cities, land for artisans' homes costs from $750 to $1,000 per improved lot in good and accessible positions.

The above illustration reveals how strongly entrenched various fallacies are in regard to the development of land, and how difficult it is to deal with land speculation, when governments themselves have taken so large a share in land speculation.

Two other factors enter into the losses the community has to bear in connection with such a development as Ward 8. The scattered nature of the development means that there are thirty-four feet of streets, twenty-one feet of water-mains and thirteen feet of sewers for each person in the ward. Then the features of the development are mutually destructive of the interests of the owners. The land is so costly that some purchasers have been compelled to erect tenements, to the injury of adjacent private dwellings. Stores are placed in the wrong places, causing similar injury, and land, which represents in cost a total of about $40 a foot front, has no protection given to the investor therein to prevent injury to his property from bad surroundings. Even if the individual had to lose and the city gained, or the reverse, there might be some kind of balance obtained which would mean, in the aggregate, a comparatively small loss; but, while the land is too costly for building on, and is largely unsuitable for that purpose, the city, in 1917, obtained a revenue of only $56,000 and had to meet fixed charges, at five per cent on its expenditure, of $60,700. It is possible that Ward 8 may be an exceptional case, because, if it were not so, the city that had to carry any large part of its area under similar conditions would be unable to meet its obligations. Ward 8, although perhaps an extreme case, illustrates the reasons for the excessive burden of taxation in most of our cities in both the east and west of Canada. It may be that the disease of injurious land speculation affects different communities in different ways and different degrees, but its operation in congesting population in one part, scattering them in other parts, and placing an excessive burden of taxation upon the people, is seen in every large city in the Dominion.

Objects of Town Planning

Whatever protection town planning will afford to the amenities of life in our growing cities, its chief ease will always rest on the economic basis it provides for a sounder and more prosperous form of city development. It is perhaps necessary to remind the reader that the object of town planning, as described in the legislation advocated by the Commission of Conservation, is, first, the securing of the best economic use of the land; second, the controlling of the height, use and density of buildings on each acre or lot; third, the securing of proper sanitary conditions and adequate provision for air space around buildings, and fourth, amenity and convenience in connection with the planning, laying out, classification and use of land for any purpose. In the legislation and local action needed to promote these general objects the private interest has to be safeguarded as well as the public interest. A great deal of work is involved in preparing and carrying out schemes, because of the depth and complexity of the issues involved. Government aid and leadership are needed from the provinces; provincial governments have the greatest power and therefore the greatest responsibility to remedy conditions. The most hopeful thing about the conditions in some of the Canadian cities is that they are so serious that it will soon become imperative to make an effort to provide a permanent and stable solution.

Conclusion

Canada has been built up by the attractions it has thrown open to the peoples of the world, in the form of cheap land, security of possession of property and freedom of citizenship. These are the things that have made Canada what

it is to-day; and, as Gibbon shows, their possession and enjoyment are the pledges that will bind the people to the country. But the evidence appears to indicate that we are now reversing the process needed for sustaining these pledges. The costly and wasteful system of land development in many cities is retarding improvement in sanitary conditions, preventing the acquisition of sites for homes at a reasonable cost, and creating excessive burdens of local taxation. On the fringes of some cities the equity of the owners of land is being destroyed and large areas of unprofitable land are being taken over by the cities. The dwellings erected on the dear lots are afforded no adequate protection from deterioration by control of their surroundings. Meanwhile, the land speculator calmly awaits the return of periods of "boom" and opportunities to exploit new settlers, while the system of taxation does not reach his gains although it mounts up as a result of his methods.

The burden of making local improvements should be transferred from the cities and the users of land to those who seek to profit by its sale as speculators If this were done there would be fewer ventures in land gambling, less waste in costly development, closer settlement and fewer absentee owners. Before land in the neighbourhood of cities is sold in lots for dwellings it should be provided with a supply of good water, means of drainage and sewage disposal, and some form of pavement at the expense of the vendor, and be in conformity with a general plan of the city, approved by the city council. It is only those who direct the government of affairs in the province or the city, and not those who enjoy profits from the absence of good government, who can provide the remedy and give the pledges needed to revive stability of investment in property and promote an enduring and prosperous citizenship.

This paper gives only a few illustrations of the connection between city and real estate finance and what is described as town planning. These illustrations, and the opinions expressed, indicate the causes which are operating to prevent a sound system of community development in Canada. They form a very meagre part of the large store of information which has been collected by the Town Planning Branch of the Commission of Conservation on the subject of municipal finance and land development during several years. Efforts have been made to collect comparative statistical information from a large number of cities, but these have involved so much labour in obtaining accurate results that the publication of a statistical comparison has not yet been found to be practicable.